ILLEGIB
STAT
Declassified in Part - Sanitized Copy Approved for Release 2012/02/24 : CIA-RDP91-00561R000100090001-1

NEW YORK TIMES
14 Dec 76

U.S. Bars a Link of Concessions At Paris to Moderation by OPEC

PARIS, Dec. 13 —A State Department cablegram leaked to the press in the Netherlands last week apparently explains some of the background behind changing positions of industrialized countries in global economic negotiations with developing countries and the relationship between the so-called rich-poor dialogue and impending oil price increases.

The cable, sent by Secretary of State Henry A. Kissinger to European negotiators, warns of dangers in establishing a direct link between any concessions offered developing countries in the Paris dialogue and price moderation by oil-exporting nations at their meeting opening Wednesday in Qatar.

"We are convinced that there is no negotiable CIEC package which the industrialized countries could accept and which would also present sufficient inducement to OPEC to refrain from a substantial oil price increase over several years, given the lack of leverage by consumers over oil prices," the message said.

CIEC is the Conference on International Economic Cooperation, the North-South dialogue in Paris.

The United States was thus reacting in practical terms to vaguely articulated efforts of some Western European countries to head off new price increases by the Organization of Petroleum Exporting Countries by making concessions at a ministerial meeting of the North-South conference that had been scheduled here for Wednesday.

Following an American initiative, that meeting has now been postponed until next spring, which would give the Administration of President-elect Jimmy Carter time to organize a response to the demands of the third world for debt relief, commodity price-propping, technology transfers and other aids to buttress weakening financial positions.

The cablegram also offers an insight into the thinking of the State Department about oil price action by OPEC and relations between the organization and developing countries.

The analysis is made in terms of resource costs to the industrialized West, stressing that if concessions are made first to the third world, the West will in effect be paying twice for the same thing.

Publication of the message in the Dutch press and in The Sunday Times in London has already brought sharp reaction in OPEC circles. Minister of State Mohammed Yeganeh of Iran has accused the United States of "torpedoing" the North-South dialogue by showing bad faith in its willingness to negotiate.

Concession Moves Halted

But the message, which is dated Nov. 22 and was sent through the Dutch Foreign Minister, Max van der Stoel, to the European delegation to the 27-nation Paris conference, did have the effect of arresting European moves to offer concessions at this time.

A Common Market conference, held a week later in The Hague, had been expected to make some concrete commitments for the North-South dialogue.

Instead the Europeans took the attitude that they must find out first how steep the oil price increase will be. As one Common Market official put it later: "The community cannot afford to pay twice. The more we pay for oil, the less we have available to help the developing countries."

This echoes some of the analysis in the 500-word Kissinger messsage.

"While the oil price decision can affect our ability to take actions responsive to LDC (less developed countries] proposals in the North-South dialogue, we must address these issues on their own merits in CIEC," the cable says.

Undermining of Effort Feared

"The linking of CIEC and OPEC could undermine this effort, making decisions in OPEC depend on decisions in CIEC, rather than the reverse," it asserted.

The message goes on to point to the "relative success" of industrial countries in intensifying third world restraints on OPEC, alluding to the aim of the United States to weaken the alliance between OPEC and the nonoil developing countries.

During the Paris negotiations, conducted sporadically through most of 1976, developing countries, led by India, have been critical of OPEC price increases, which tend to hurt the third world more because of its more limited resources.

"The outcome of the OPEC December ministerial to decide on prices has not yet been determined," the State Department cablegram says, "and we continue to believe a price increase is not inevitable." The message continued:

"Linking the two now could result in OPEC's maintainin~ that it had been planning a large increase but is willing to reduce it in exchange for costly concessions on resource transfer in CIEC.

"In other words, actual increases in oil prices would not necessarily be any different from what OPEC would have arrived at without CIEC, but the cost to the industrialized countries would be higher."

Declassified in Part - Sanitized Copy Approved for Release 2012/02/24 : CIA-RDP91-00561R000100090001-1